

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

**March 25, 2020**

MOTOR CARRIER MATTER

☐

DOCKET NO.

**2019-290-WS**

UTILITIES MATTER

☒

ORDER NO.

**SUBJECT:**

[DOCKET NO. 2019-290-WS](#) - Application of Blue Granite Water Company for Approval of Adjustment in Rates – Staff Presents for Commission Consideration Blue Granite Water Company's Application for Approval of Adjustment in Rates.

**COMMISSION ACTION:**

In this Docket No. 2019-290-WS, Blue Granite Water Company seeks Commission approval for an increase in its rates and charges for provision of water and sewer service to its service territories.

- At the public night hearings, customers expressed continuing concerns regarding poor quality of service, lack of proper maintenance, errors in billing and crediting, failure to read meters, inaccurate consumption estimates, erroneous service cut-offs, sometimes without notice, and unresponsive customer service. These and other problems relating to customer service are not new problems with this utility and are not acceptable.

Accordingly, I move that we order the utility to implement systems designed to monitor customer complaints and track resolution of these complaints to ensure timeliness and effectiveness. I further move that we order the Company to prepare quarterly reports to the Commission detailing its efforts to improve responsiveness and customer satisfaction.

These reports should detail every complaint, including service, maintenance, billing, meter reading, etc., and describe resolution of these complaints, and the Company should provide the names and addresses of complainants to the Office of Regulatory Staff for possible follow-up. The first quarterly reports ordered herein shall be due on or before July 1, 2020.

- In many subdivisions throughout Blue Granite's service territories, its systems suffer from extremely high levels of water loss and based upon evidence of record of root intrusion and defects in the lines, wastewater inflow and infiltration is highly probable, although not quantifiable by the utility. Both of these problems adversely impact customer bills. To combat water loss, I move that the Commission order the Company to conduct a water audit and to implement a water control program. I move that we adopt ORS's recommendation to limit recovery of purchased water loss in each subdivision to 10% non-revenue water is appropriate. The Company proposed recovery of 20% of these costs. I move that we deny the Company's proposal and I move that we find the 10% level appropriate and better encourages better monitoring and mitigation

by the utility. I further move that we order the Company to address its "I & I" issues through testing and reporting the results to the Commission.

- After consideration of the Annual Rate Adjustment Mechanism (ARAM) proposed by Blue Granite, I move that we deny this request because it does not incentivize the Company to reduce wastewater infiltration and inflow or non-revenue water losses. The proposed ARAM as designed recovers significant annual expenses with little to no review and does not provide adequate customer protections. All risk is borne by the customers under this mechanism. I do not believe that the ARAM would not improve bill clarity as the methodology for calculating the purchased water and sewer charges is confusing under this mechanism and does not yield a number that reflects the actual costs of the purchased water or sewer treatment charged by the third-party provider. Further, I move that we deny the changes the Company proposed to its rate structure to add separate purchased water and sewer treatment charges. I move that the Company shall maintain its existing rate structure at this time which provides for a Base Facility Charge, a commodity charge based on water consumption and per Single Family Equivalent charge (a/k/a flat rates) for sewer customers.

I have considered the matter of flat rates for sewer service. The Company does not have any other rate methodology at this time available for its sewer service customers. Therefore, I move that we order Blue Granite to provide alternate rate designs for its water and sewer services in its next rate proceeding. Flat rates for sewer service are burdensome on customers with low water usage, on customers where only one or two people are in a household, on senior citizens on fixed incomes, and on low and moderate income customers. I move that we order the Company to investigate the feasibility of conversion of the Company's sewer rate to a volumetric rate design within the same time frame when it files its next rate case.

- To aid in moving to a volumetric rate design for sewer service, I also move that Blue Granite obtain water usage (volumetric water consumption data) from entities providing water to the Company's sewer only customers. I further move that the Company provide a report to the Commission on progress to obtain this data, as well as the cost of flow meter installation within 120 days.
- The Company's application also seeks an increase in the base facilities charge for water service. Thinking we are all concerned that high base facility charges are regressive and cause economic hardship to low and moderate income customers, senior citizens on fixed incomes, and customers with low water usage. For Commission review in this docket, the Company is directed to provide rate schedules reflecting the adjustments ordered in this Directive which will follow. For water service, the Company is directed to provide alternate rate schedules with one rate schedule reflecting no change or increase in the Base Facilities Charge and a second rate schedule which splits or distributes the rate change pursuant to this Directive between the Base Facilities Charge and the volumetric commodity charge for water consumption. These rate schedules must be filed by the Company on the Commission's DMS no later than 4:45 p.m. on Monday, March 30, 2020. Any other party may also propose rate schedules consistent with this Directive by 4:45 p.m. on Monday, March 30, 2020. Parties may comment on the proposed rate schedules until 4:45 p.m. on Tuesday, March 31, 2020, by filing the comments on the DMS. All filings must be served on other parties. The Commission will rule on the rate schedules on Wednesday, April 1, 2020.

- With regard to the LETT'S Tank Pumping charge, I move that we approve ORS's proposed tariff language related to solids interceptor ("LETTS") tanks to change the pumping charge from \$150 to the actual cost to access, pump, and service the tanks on a periodic basis. The tariff language ORS proposes is in Hearing Exhibit 38, including the

ORS' proposed language contained therein regarding what constitutes an emergency condition.

- The Company also seeks Commission authority to amend its tariff regarding connection, plant impact, and plant capacity fees, to incorporate language regarding the gross up of Contributions in Aid of Construction due to its taxability under the Tax Cuts and Jobs Act. I move that we adopt the tariff language proposed by the Company and recommended by ORS that would allow the Company to collect the income tax obligation from the contributor of cash or property.

- In addition, I move that we deny the Company's proposal to establish a Storm Reserve Fund. I would note that the Consumer Advocate's position in this case is that the Fund is not needed to provide safe and reliable service. As stated by ORS, Blue Granite is obligated to restore service within the time frames required under the Commission's regulations, regardless of whether it has the Fund it proposes. The Company refuses to segregate the fund, which handicaps proper accounting for such funds. Thus, I move that the Company's proposal be denied.

- Blue Granite seeks Commission authority to implement a voluntary Round Up Program, which would round the bills of participating customers to the nearest higher dollar, with the difference accumulated in a reserve fund for remittance to the South Carolina Office for Economic Opportunity ("SCOEO"). The funds would be distributed to community action agencies in Blue Granite's service territory to assist low income customers with their water and sewer bills. I move that the program be approved, with the modifications that ORS proposed. Among other things, Blue Granite will be prohibited from passing on to customers the administrative and implementation costs for the Program, including the bill inserts/flyers and the modifications to Blue Granite's billing and customer service systems.

- Considering depreciation, for a majority of plant accounts, the ORS and Company have agreed on both estimated service life and net salvage value. There is no dispute that the estimated service lives used to calculate the Company's depreciation rate have been, overall, too low or that it is appropriate to account for net salvage costs. While Company witness Spanos argues that ORS witness Garrett relies too heavily on mathematics, ORS witness Garrett's explanation of his objective application of mathematics tempered as necessary by his professional judgment represents a reasonable and compelling approach. Witness Garrett has raised meaningful criticisms for the accounts that he addresses. On this basis, I move that the evidence and testimony of witness Garrett should be adopted by the Commission for the Commission's rulings on depreciation rates in this case. I also believe witness Garrett's recommendations are more likely to avoid "incent[ing] economic inefficiency" and over-investment in capital assets, without depriving the Company of recourse if the future provides these depreciation rates to be low. Thus, I move the adoption of the depreciation rates espoused by witness Garrett.

- I move that the Commission approve the ORS adjustments related to the Clearwater Solutions Contract. However, I would like this Commission to issue a word of caution. Blue Granite failed to file the Clearwater Solutions contract for Commission approval as is required by Commission Regulations 103-541 and 103-743. I move that the Company file this Contract for possible approval by the Commission immediately and caution the Company that it must file its contracts for approval in the future in compliance with the Commission's regulations.

- I move that the Commission accept ORS's recommendation to limit the water service Territory 2 increase to 31% of total water service revenue requirement.

- I also move that the Commission order the Company conduct a Class Cost of Service Study prior to its next rate case and to provide both the Commission and ORS with a copy of this study. These studies are essential to determine the proper rate design as it will demonstrate which costs need to be recovered and from which customer classes.

- I move that the Commission adopt the following accounting adjustments:

- With regard to the proposed Maintenance Expenses - Purchased Water and Sewer Expense: I move that the Commission amortize this expense over 5 years. One year's amortized expense of \$635,765 will be included in expenses in this case. The unamortized portion will be placed in a Regulatory Asset to be recovered annually, a total of \$2,119,000.

- With regard to the proposed Company's Maintenance and Repair Expense: I move that the Commission remove and deny recovery of the Administrative Law Court legal expenses for the DHEC Permit Denial (\$43,355) and I-20 Interconnection (\$13,190) on the grounds that the Company should have sought recovery of legal expenses related to the condemnation proceedings as provided by law to the prevailing party. This amounts to remove from proforma adjustments total \$56,545.

- With regard to the proposed General Expenses for Rent: I move that the Commission remove and deny recovery of the proforma rent expense of \$84,839. Company witness Denton stated that its relocation and lease of Greenville office space was due to legacy brand issues which were caused by the Company itself. Also, ORS witness Maurer provided undisputed evidence that the Company stated itself that rebranding would be "at no cost to [Blue Granite's] customers." (Surrebuttal Exhibit KDM-2.)

- With regard to additional adjustments to the Company's Rate Base - Deferred Charges: I move that the Commission amortize \$3,178,824 of Purchased Water and Sewer deferrals over 5 years and remove first year's amortization of \$635,765 for a total increase of \$2,543,059 in a regulatory asset.

- With regard to Legal Expenses requested by the Company for the Annual Rate Adjustment Mechanism from Docket No. 2018-358-WS and for Pumping Interceptor Tank in Docket No. 2018-361-WS: I move that the Commission deny recovery of these legal expenses requested by the Company. The Company filed proceedings in these Dockets and then later requested to withdraw its applications in each docket. The ratepayers should not bear the burden of these expenses.

- I move that the Commission accept all other adjustments proposed by ORS.

- In its Application, the Company seeks Commission authority to initiate a one-time credit of \$10.64 to each customer water and sewer account, to return overcollection of Federal Tax expenses accumulated January 1, 2018 to June 28, 2018. ORS reviewed the updated customer data, and other data, and calculated the one-time credit to be \$10.59 per account. I move that we approve the ORS credit amount.

- While many aspects of the Company's operations raise concerns as to what rate increase, or any rate increase, is appropriate in this matter, existing law binds the Commission and the evidence presented supports a limited increase. I move that we

accept the Company's offer to delay implementation of any rates until September 1, 2020 so that there will no change in the water and sewer rates for customers of the Company until September 1, 2020. And I do thank the Company for this delay.

- In addition, I move that we approve a Return on Equity of 7.46% based upon the evidence provided by Consumer Advocate witness Rothchild. I further move that we approve a Revenue Requirement after all fallout adjustments of \$28,733,986, resulting in an increase of \$4,958,848. This represents an approximate 57% reduction from the Company's requested increase of \$11,589,537. The resulting Operating Margin is 10.54%.

- Additionally, I move that the staff make any other appropriate changes needed to effectuate and provide an Order consistent with the above.

- Lastly, I move that we overrule the Company's objection to the Councilwoman Allison Love's testimony and admit all hearing exhibits presented at the evening public hearings, as well as any late filed exhibits.

PRESIDING: Randall

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
BELSER	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ERVIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WHITFIELD	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
WILLIAMS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Absent</u>

Voting via videoconference

Voting via videoconference

Voting vid videoconference

Military Leave

(SEAL)

RECORDED BY: J. Schmieding

